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Mexico

Livestock and Products

Annual

2002

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Report Highlights:

Imports of cattle and beef are forecast to increase marginally during CY2003, while imports of swine and pork are forecast unchanged in CY2003. Mexico's livestock industry is going through tough times. As 2003 approaches, pressure from producer groups to impose trade measures may increase, particularly in the pork sector. On August 8, 2002, the Government of Mexico (GOM) unveiled a suit of so-called "agriculture armor," a strategic program to defend the nation's ailing agriculture sector from rising food imports. However, production trends within the livestock industry, such as vertical integration in the pork sector, and problems with cost of production in the cattle sector are not likely to be altered through trade remedies.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1], MX

TABLE OF CONTENTS

SECTION I. SITUATION AND OUTLOOK	Page 2 of 15
Livestock Situation and Outlook	Page 2 of 15
SECTION II. STATISTICAL TABLES	Page 3 of 15
PS&D, Animal Numbers, Cattle	Page 3 of 15
PS&D, Meat, Beef and Veal	Page 4 of 15
PS&D, Animal Numbers, Swine	Page 5 of 15
PS&D, Swine, Meat	Page 6 of 15
Grass Fed Live Steer Average Wholesale Prices in Mexico City	Page 7 of 15
Beef Carcass Average Wholesale Prices in Mexico City	Page 7 of 15
Finished Live Hog Wholesale Prices in Mexico City	Page 8 of 15
Pork Carcass Average Wholesale Prices in Mexico City	Page 8 of 15
Animal Numbers, CATTLE	Page 9 of 15
Meat, Beef & Veal	Page 9 of 15
Animal Numbers, SWINE	Page 9 of 15
Meat, SWINE	Page 9 of 15
Cattle Slaughtered in Federally Inspected Type Slaughterhouses	Page 10 of 15
Cattle Slaughtered in Municipal Slaughterhouses	Page 10 of 15
Cattle slaughtered In-Situ Slaughterhouses	Page 10 of 15
Hogs Slaughtered in Federally Inspected Type Slaughterhouses	Page 10 of 15
Hogs Slaughtered in Municipal Slaughterhouses	Page 10 of 15
Hogs Slaughtered In-Situ Slaughterhouses	Page 10 of 15
SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING	
CATTLE	Page 11 of 15
Production	Page 11 of 15
Consumption	Page 11 of 15
Trade	Page 11 of 15
Policy	Page 12 of 15
NAFTA	Page 12 of 15
Marketing	Page 13 of 15
SWINE AND PORK MEAT	Page 13 of 15
Production	Page 13 of 15
Consumption	Page 14 of 15
Trade	Page 14 of 15
Policy	Page 14 of 15
Marketing	Page 15 of 15

SECTION I. SITUATION AND OUTLOOK

Livestock Situation and Outlook: Production of cattle in CY2003 is forecast higher from the previous year's estimate, due to a better calf crop and the expected improvement in export demand during CY2003. Beef imports from the United States continue to capture a larger share of the Mexican beef meat market, due to growing demand from upper and middle income consumers, the tourism industry, and limited domestic production. Beef imports for CY2002 are expected to reach 440,000 MT (CWE). Ending cattle inventories for CY2003 are forecast downward from the previous year's estimate due to an expected increase in exports and increased slaughter. Beef consumption for CY2003 is forecast to increase due to general population growth and rising demand among upper and middle income consumers. The feeder steer export estimate for CY2002 was reduced from our previous estimate by 30 percent in response to import restrictions from the U.S., due concerns about tuberculosis and brucellosis in Mexican cattle. The feeder steer export forecast for CY2003 is expected to rebound as the GOM has taken steps to better control and manage tuberculosis and brucellosis.

Smaller swine and pork producers continue to reduce their operations or leave the industry altogether as the trend toward vertical integration continues. Imports, higher feeding costs, and limited opportunities for exports due to animal health constraints are also causing smaller producers to leave the industry. Production of pork for CY2003 is forecast at 1.1 MMT (CWE), 1.3 percent over the previous year's estimate of 1.085 MMT (CWE) to meet demand from general population growth and improving disposable income among upper and middle class consumers. Swine and pork imports for CY2003 are forecast to remain unchanged due to the compensatory duties applied on imports of live hogs for slaughter and because domestic production is increasing slightly. In CY2001, Mexico's total live hogs imports reached 85,000 head for both slaughter and breeding hogs reflecting official government figures.

SECTION II. STATISTICAL TABLES**PS&D, Animal Numbers, Cattle**

(1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	Cattle					
	2001		2002		2003	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/01		01/02		01/03	
Total Cattle Beg. Stks	22551	22551	21296	21296		20466
Dairy Cows Beg. Stocks	2200	2200	2200	2200		2200
Beef Cows Beg. Stocks	11300	11300	11300	11300		11300
Production (Calf Crop)	8750	8750	8800	8800		8900
Intra EC Imports	0	0	0	0		0
Other Imports	195	195	200	200		250
TOTAL Imports	195	195	200	200		250
TOTAL SUPPLY	31496	31496	30296	30296		29616
Intra EC Exports	0	0	0	0		0
Other Exports	1280	1280	1300	900		1200
TOTAL Exports	1280	1280	1300	900		1200
Cow Slaughter	1600	1600	1600	1600		1600
Calf Slaughter	1600	1600	1600	1600		1600
Other Slaughter	5100	5100	5110	5110		5120
Total Slaughter	8300	8300	8310	8310		8320
Loss	620	620	620	620		620
Ending Inventories	21296	21296	20066	20466		19476
TOTAL DISTRIBUTION	31496	31496	30296	30296		29616

PS&D, Meat, Beef and Veal

(1000 Head) (K Metric Tons)

PSD Table						
Country:	Mexico					
Commodity:	Meat, Beef and Veal					
	2001		2002		2003	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2001		01/2002		01/2003	
Slaughter (Reference)	8300	8300	8310	8310		8320
Beginning Stocks	0	0	0	0		0
Production	1925	1925	1930	1930		1935
Intra EC Imports	0	0	0	0		0
Other Imports	426	430	430	440		445
TOTAL Imports	426	430	430	440		445
TOTAL SUPPLY	2351	2355	2360	2370		2380
Intra EC Exports	0	0	0	0		0
Other Exports	10	8	8	8		8
TOTAL Exports	10	8	8	8		8
Human Dom. Consumption	2321	2327	2332	2342		2352
Other Use, Losses	20	20	20	20		20
TOTAL Dom. Consumption	2341	2347	2352	2362		2372
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	2351	2355	2360	2370		2380

Note: Figures are in CWE.

PS&D, Animal Numbers, Swine

(1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	Animal Numbers, Swine					
	2001		2002		2003	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2001		01/2002		01/2003	
TOTAL Beginning Stocks	10649	10649	10519	10569		10549
Sow Beginning Stocks	915	915	920	920		925
Production (Pig Crop)	15100	15100	15250	15250		15300
Intra EC Imports	0	0	0	0		0
Other Imports	50	85	70	70		70
TOTAL Imports	50	85	70	70		70
TOTAL SUPPLY	25799	25834	25839	25889		25919
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Sow Slaughter	15	15	15	15		15
OTHER SLAUGHTER	13750	13750	13845	13825		13850
Total Slaughter	13765	13765	13860	13840		13865
Loss	1515	1500	1515	1500		1500
Ending Inventories	10519	10569	10464	10549		10554
TOTAL DISTRIBUTION	25799	25834	25839	25889		25919

PS&D, Swine, Meat

(1000 Head) (K Metric Tons)

PSD Table						
Country:	Mexico					
Commodity:	Swine, Meat					
	2001		2002		2003	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2001		01/2002		01/2003	
Slaughter (Reference)	13765	13765	13860	13840		13865
Beginning Stocks	0	0	0	0		0
Production	1065	1065	1085	1085		1100
Intra EC Imports	0	0	0	0		0
Other Imports	294	300	315	310		310
TOTAL Imports	294	300	315	310		310
TOTAL SUPPLY	1359	1365	1400	1395		1410
Intra EC Exports	0	0	0	0		0
Other Exports	61	60	60	60		60
TOTAL Exports	61	60	60	60		60
Human Dom. Consumption	1298	1305	1340	1335		1350
Other Use, Losses	0	0	0	0		0
TOTAL Dom. Consumption	1298	1305	1340	1335		1350
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	1359	1365	1400	1395		1410

Note: Figures are in CWE

Grass Fed Live Steer Average Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2001	2002	% Change
January	0.731	0.731	0.0
February	0.725	0.732	0.97
March	0.733	0.735	0.27
April	0.744	0.736	(1.08)
May	0.747	0.740	(0.94)
June	0.734	1/ n/a	1/ n/a
July	0.752	n/a	n/a
August	0.752	n/a	n/a
September	0.743	n/a	n/a
October	0.743	n/a	n/a
November	0.741	n/a	n/a
December	0.743	n/a	n/a

Beef Carcass Average Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2001	2002	% Change
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January	1.15	1.17	1.74
February	1.16	1.18	1.72
March	1.17	1.18	0.85
April	1.18	1.17	(0.85)
May	1.19	1.16	(2.52)
June	1.18	1/ n/a	1/ n/a
July	1.17	n/a	n/a
August	1.14	n/a	n/a
September	1.17	n/a	n/a
October	1.18	n/a	n/a
November	1.17	n/a	n/a
December	1.18	n/a	n/a

Source: National Market Information Service (SNIM)

Note: 1/ n/a not available.

Exchange rate on May 31, 2002, US\$1.00 = \$9.50 Pesos

Finished Live Hog Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2001	2002	% Change
January	0.657	0.650	(1.07)
February	0.661	0.581	(12.10)
March	0.656	0.554	(15.55)
April	0.626	0.547	(12.62)
May	0.700	0.550	(21.43)
June	0.698	1/ n/a	1/ n/a
July	0.716	n/a	n/a
August	0.702	n/a	n/a
September	0.680	n/a	n/a
October	0.648	n/a	n/a
November	0.616	n/a	n/a
December	0.659	n/a	n/a

Pork Carcass Average Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2001	2002	% Change
January	0.983	0.998	1.53
February	0.979	0.927	(5.31)
March	1.002	0.931	(7.09)
April	1.008	0.898	(10.91)
May	1.029	0.836	(18.76)
June	1.024	1/ n/a	1/ n/a
July	1.020	n/a	n/a
August	1.011	n/a	n/a
September	0.997	n/a	n/a
October	0.997	n/a	n/a
November	0.993	n/a	n/a
December	0.992	n/a	n/a

Source: National Market Information Service (SNIM)

Note: 1/ n/a not available.

Exchange rate on May 31, 2002, US\$1.00 = \$9.50 Pesos

<i>Animal Numbers, CATTLE</i>				UNITS: <i>Head</i>			
EXPORTS TO:	2001	2002*	2003**	IMPORTS FROM:	2001	2002*	2003**
U.S.	1,141,368	242,477	850,000	U.S.	217,198	21,540	250,000
OTHER				OTHER			
BELIZE	33	67	0	AUSTRALIA	13,904	7,915	0
NICARAGUA	111	0	0	CANADA	11,718	2,554	0
TOTAL OF OTHER	144	67	0	TOTAL OF OTHER	25,622	10,469	0
OTHERS NOT LISTED	150	0	0	OTHERS NOT LISTED	31,873	2,200	0
GRAND TOTAL	1,141,662	242,544	850,000	GRAND TOTAL	274,693	34,209	250,000

<i>Meat, Beef & Veal</i>				UNITS: <i>Metric Tons</i>			
EXPORTS TO:	2001	2002*	2003**	IMPORTS FROM:	2001	2002*	2003**
U.S.	1,963	377	2,000	U.S.	233,390	41,866	250,000
OTHER				OTHER			
				CANADA	58,499	8,161	60,000
TOTAL OF OTHER	0	0	0	TOTAL OF OTHER	58,499	8,161	60,000
OTHERS NOT LISTED	0	0	0	OTHERS NOT LISTED	14,530	1,876	15,000
GRAND TOTAL	1,963	377	2,000	GRAND TOTAL	306,419	51,903	325,000

<i>Animal Numbers, SWINE</i>				UNITS: <i>Head</i>			
EXPORTS TO:	2001	2002*	2003**	IMPORTS FROM:	2001	2002*	2003**

U.S.	0	0	0	U.S.	60,779	41,705	60,000
OTHER				OTHER			
GUATEMALA	137	0	0	CANADA	24,816	5,314	25,000
TOTAL OF OTHER	137	0	0	TOTAL OF OTHER	24,816	5,314	25,000
OTHERS NOT LISTED	0	0	0	OTHERS NOT LISTED	0	0	0
GRAND TOTAL	137	0	0	GRAND TOTAL	85,595	47,019	85,000

<i>Meat, SWINE</i>				UNITS: <i>Metric Tons</i>			
EXPORTS TO:	2001	2002*	2003**	IMPORTS FROM:	2001	2002*	2003**
U.S.	33,843	4,236	45,000	U.S.	154,780	32,327	160,000
OTHER				OTHER			
JAPAN	841	70	1,000	CANADA	19,839	5,186	25,000
TOTAL OF OTHER	841	70	1,000	TOTAL OF OTHER	19,839	5,186	25,000
OTHERS NOT LISTED	447	0	0	OTHERS NOT LISTED	6,117	1,968	10,000
GRAND TOTAL	35,131	4,306	47,000	GRAND TOTAL	180,736	39,481	220,000

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.

* As of May 31, 2002

** Forecast figures.

Cattle Slaughtered in Federally Inspected Type (TIF) Slaughterhouses

	2001	2002*
Total	1,245,000	518,750

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of May 31, 2002

Cattle Slaughtered in Municipal Slaughterhouses

	2001	2002*
Total	3,075,865	1,281,610

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of May 31, 2002

Cattle slaughtered In-Situ Slaughterhouses

	2001*	2002*
Total	4,000,000	1,800,000

Note: * Figures are estimated. No official data are available for this category

Hogs Slaughtered in Federally Inspected Type (TIF) Slaughterhouses

	2001	2002*
Total	3,897,658	1,624,024

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of May 31, 2002

Hogs Slaughtered in Municipal Slaughterhouses

	2001	2002*
Total	5,100,342	2,125,142

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of May 31, 2002

Hogs Slaughtered In-Situ Slaughterhouses

	2001*	2002*
Total	4,852,000	150,000

Note: * Figures are estimated. No official data are available for this category

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

CATTLE

Production

Note: With the exception of the current and out years, this report has incorporated official Mexican Government statistics for historical purposes in all livestock sectors and products.

Historical production and consumption data in PS&D's are figures from the Secretariat of the Economy (SE) as compiled by the National Livestock Confederation (CNG).

Despite an estimated 2002 reduction in exports due to cattle health concerns, beginning cattle numbers in CY2003 are forecast to drop from a year ago as cattle exports and slaughter continue to exceed calf production. While calf production is forecast to increase in 2003 as breeding practices improve, the increase is not expected to keep pace with slaughter and export levels, and ending cattle inventories are projected to decline in CY2003. Cow numbers are not expected to change as cattle producers continue to have difficulties accessing credit to finance feed and infrastructure improvements, and dry

conditions in the northern states have continued. As a result, given attractive export prices, higher exports of calves are anticipated. Other regions of Mexico report normal rainfall and good pasture conditions. Most of the domestically produced beef continues to be from grass-fed cattle. Investments to expand cattle numbers have been hampered by high interest rates on loans (after a significant devaluation of the peso several years ago, many cattle farmers were unable to repay loans) and subsequent reduced producer profits. Medium and small sized feedlots continue to go out of business because of high production costs. Slaughter for CY2003 is forecast higher due to an expected increase in domestic demand for beef.

Consumption

Beef consumption continues to increase due to growing consumer demand for meat protein and general population growth. Demand is growing more rapidly among the middle and upper classes in larger cities where there is more disposable income, however, per capita consumption of beef is increasing. Consumption for CY2002 is revised slightly upward due to more current information from trade sources and competitive beef prices.

Trade

Both slaughter cattle and beef imports in CY2003 are forecast upward due to expected improvement in the economy and consumer demand for meat protein. Trade sources estimate that total beef imports from the U.S. will include 90 percent boxed beef and 10 percent beef carcasses in CY2003. Most of this beef will be rounds and chucks (70 percent) and high quality cuts (30 percent). Beef imports from the U.S. should continue to increase because of competitive prices and quality, while beef from non-NAFTA countries is still subject to high import tariffs and health restrictions, due to BSE and FMD. Beef imports for CY2002 are revised slightly upward to reflect more current information from trade sources and competitive prices.

Cattle exports to the U.S. for CY2003 are forecast upward from the previous year's revised figure, due to expected improvement in the control of cattle tuberculosis and brucellosis by the Mexican government, and improvement in the calf crop. Domestic feeder steer exports to the U.S. in CY2002 are revised downward due to health concerns.

Policy

On June 12, 2002, Mexico published the long awaited second amendment to the Animal Health Law. While this amendment has several provisions, the most important provision is the moving of import verification points from the US side of the border to the Mexican side of the border 120 calendar days from the date of publication. This amendment supercedes the previous amendment and thus nullifies all court injunctions (amparos) that allowed seven import verification points to continue operating on the US side of the border even though they did not meet the physical construction requirements of the first amendment. Major provisions contained in the revised Animal Health Law are:

1. All meat and meat product's verification and inspection points must be located in Mexico by October 9, 2002 (120 calendar days from publication). Two facilities are already operational in

Colombia, Nuevo Leon near Nuevo Laredo, and an additional 11 are in various stages of production at various border crossing points.

2. All facilities must have a minimum of two doors large enough to move trucks in and out with refrigerated loading docks and refrigerated and frozen storage facilities.
3. All import verification facilities must have two laboratories to conduct micro-biological and organoleptical analyses, or contract with a government approved laboratory to provide these services.
4. All verification sites must have an incinerator or other means to dispose of rejected product.
5. All sites must have "helpers" made up of state government officials and representatives of producer groups.

Mexican importers of meat and meat products have accepted this second amendment with only a few concerns regarding implementation. The Agriculture Ministry (SAGARPA) and Mexican customs still have not published any regulations on how the law will be applied. These instructions are expected to be published in NOM-058 which was first proposed in December 1999. (See Report MX9168) SAGARPA has been working on modifying NOM-058 and could have a final ruling before the 120 day deadline. USDA has provided comments on this NOM and is monitoring its progress closely.

NAFTA

In 2003, most Mexican import tariffs and TRQs for agricultural products will be eliminated on all but a few agricultural products. This has raised concerns among importers, exporters and distributors over the potential for requests for new trade barriers from local agricultural producers. Imports of beef have been subject to anti-dumping duties since 1999. See MX9100 and MX0060.

Additionally, on August 8, 2002, the Government of Mexico (GOM) unveiled a suit of so-called "agriculture armor," a program of pro-farming strategies, to defend the nation's ailing agriculture sector from imports. According to the Secretariats of Economy and Agriculture, the new "armor" would consist of the government fighting for the elimination of farm subsidies at the World Trade Organization (WTO); the "intelligent" use of legal mechanisms to help national producers match foreign competition; and public and private financing to foment the development of national producers. Farm lobbies such as the National Agriculture Council (CNA) have been campaigning for the United States to reduce its farm subsidies, which the CNA says give U.S. food imports an unfair advantage.

Marketing

Imports of breeding cattle and animal genetic products into Mexico are normally performed directly by cattle growers, medium and large dairy owners, distributors, and government institutions. In some cases, Mexican cattle buyers receive financial assistance from government funded programs to purchase animals of high quality genetics. Participation in major national and state livestock shows may provide opportunities for sales of U.S. livestock genetics to Mexican livestock producers.

Marketing promotion programs for U.S. red meats through the U.S. Meat Federation/Mexico City Office continue opening niche markets for U.S. products in the hotel and restaurant trade. Prospects exist in the short and medium terms for increased meat sales fueled by the increase in population and the lack of sufficient domestic production. The development of supermarket chain stores, fast food restaurants and the tourist sector all present opportunities for market growth.

SWINE AND PORK MEAT

Production

Swine and pork production in CY2002 expanded over the previous year, reflecting production capacity increases of large vertically-integrated companies. Further expansion by these companies is projected in CY2003 as a result of attractive industry returns. The rate of closures of small and medium sized farms slowed down in CY2001. However, continued closures are expected as the swine industry continues to consolidate.

The continued expansion of large vertically-integrated companies with more than 500 sows has offset the departure of many medium and small-sized farms which are not competitive under the current industry cost/price structure. A higher number of specialized swine TIF slaughter plants will be authorized to receive government assistance to offset high cost of slaughtering services as compared to non-TIF slaughter plants, coupled with the further integration of swine producer associations in slaughtering and marketing activities, is expected to contribute to expanding pork production in years ahead. Swine slaughter for CY2002 is revised slightly downward to reflect more current data from trade sources.

Consumption

Although large vertically integrated firms have increased supplies of pork carcasses, a large percentage of producers continue to sell hogs at the farm-gate level. Pork carcass wholesalers in Mexico City claim that the large swine producers have recently increased prices for live swine. At present, live pigs are priced at 12.87 pesos per kilogram (U.S. \$1.36/kg.) while imported swine are priced between 13.02 pesos per kilogram (U.S. \$1.38/kg.) at slaughter facilities in the metropolitan Mexico City area. Because of relatively low per-capita (10.9 Kg) pork consumption in Mexico, producers, retailers and the government are sponsoring a promotional campaign to expand consumption of domestic pork, however, pork will continue to face strong competition from less expensive poultry meat.

Trade

The United States is the primary supplier of pork products to Mexico accounting for over 90 percent of its imports. Most of this volume is shipped frozen and is purchased by sausage and meat processors for making ham and deli meats. Domestic producers are concerned about lower priced imports of U.S. pork, pork variety meats, lard, and greases. They claim that imports of pork products hurt the domestic industry. Additionally, producers allege that large imports of mechanically deboned poultry meat have displaced the use of domestic pork in manufacturing hams and sausage products.

As a result of the antidumping duties on imports of live hogs for slaughter, in addition to Mexican regulations requiring all U.S. hogs be slaughtered at TIF plants due to the porcine respiratory and reproductive syndrome (PRRS), live hog imports for CY2003 are forecast to remain unchanged. Swine imports for CY2001 are revised upward to reflect official government data. Pork imports for CY2003 are forecast unchanged reflecting an expected increase in domestic production. Pork imports for CY2002 are revised downward from our previous figure due to more current information from trade sources and competitive prices for poultry products. Pork exports for CY2003 are forecast to remain unchanged from the previous year's estimate due to health concerns and restrictions. Export figures for CY2002 remain unchanged from our previous figures. Exports of pork for CY2001 were revised slightly downward to reflect official government data.

Policy

In response to domestic concerns that imports of pork and pork by-products under the auspices of the NAFTA are hurting the Mexican swine industry, the Mexican Pork Council (CMP) and the National Pork Commission (CONAPOR) have petitioned the Mexican government to: a) establish emergency safeguards against imports of pork; b) avoid the authorization of additional cuotas to import pork; c) ratify the compensatory duties placed on live hogs for slaughter; d) proceed with an investigation of pork dumping claims against U.S. exporters requested by CMP on February 27, 2002; and e) suspend the NAFTA, pending an investigation of the effects the Farm Bill will have on Mexico's agriculture.

The National Swine Commission (CONAPOR) and the Mexican Swine Council (CMP) combine their political influences when lobbying GOM authorities. Both associations are expected to continue pushing for managed trade for swine, pork, and pork product imports from the United States.

Concerning the U.S. country-of-origin labeling regulations, the Mexican beef and pork industries have not expressed concerns with regard to compliance with the requirements of this regulation. Mexico's exports of beef and pork to the U.S. have been insignificant for the past several years and this may be the reason why no concerns have been raised. Mexican cattle exports to the U.S., of course, are very significant, but these are feeder calves which are fed and slaughtered in the U.S. and thus become classified as U.S. origin.

Also, see policy section for cattle and beef in this report.

Marketing

U.S. companies should consider having a Mexican importer or representative registered with the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico. In addition, it is important for US companies to have someone -- an agent or reliable distributor -- who can maintain regular contact with buyers, interface with the government, handle the requisite paperwork, and ensure that customer service is maintained.

Pork in the retail sector tends to be purchased by consumers in traditional Mexican markets (mercados) where most butcher shops are located; but increasingly consumers are buying their meat products and special cuts at supermarkets. Supermarkets cater primarily to consumers from the higher

socioeconomic classes; however, the recent introduction of discount warehouse stores is making shopping at supermarkets more accessible to the average consumer. The most up-scale supermarkets in Mexico are as modern as any stores in the United States.

Also, see marketing section for cattle and beef in this report.